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DEPARTMENT OF AUDITOR-CONTROLLER**

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February 29, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY OFFICE OF EDUCATION – A DEPARTMENT
OF PUBLIC HEALTH HIV/AIDS PREVENTIVE CARE SERVICES
PROVIDER**

We have completed a fiscal review of the Los Angeles County Office of Education (LACOE or Agency), a Department of Public Health (DPH) HIV/AIDS preventive care provider.

Background

DPH's Office of AIDS Programs and Policy (OAPP) contracts with LACOE to provide HIV/AIDS school based prevention services. LACOE is located in the Fourth District.

At the time of our review, LACOE had one cost reimbursement contract with OAPP with a total contract maximum of \$400,000 over a two-year period. LACOE was paid approximately \$189,997 in OAPP funds from the period January 1, 2006 to December 31, 2006.

Purpose/Methodology

The purpose of our review was to determine whether LACOE appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of LACOE's

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accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines.

Results of Review

Overall, LACOE maintained documentation to support services received and provided services as required by the County contract. The Agency also appropriately recorded and deposited cash receipts timely in the Agency's bank account and they appropriately allocated shared costs. However, LACOE needs to strengthen their controls over expenditures. For example, the Agency billed OAPP for expenditures prior to paying the vendors' invoices.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LACOE on December 14, 2007. In their attached response, LACOE concurred with our findings and recommendations. We also notified OAPP of the results of our review.

We thank LACOE personnel for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Patricia L. Meyer, Director, Division of Business Operations, Los Angeles County
Office of Education
Public Information Office
Audit Committee

**HIV/AIDS PREVENTIVE CARE SERVICES
LOS ANGELES COUNTY OFFICE OF EDUCATION
FISCAL YEAR 2006-2007**

BILLED SERVICES

Objective

Determine whether the Los Angeles County Office of Education (LACOE or Agency) provided the services outlined in their County contract.

Verification

We reviewed the attendance sheets for the training classes provided by LACOE between October and December 2006 for documentation to confirm that the services were provided.

Results

The Agency maintained documentation to support the training classes billed.

Recommendations

There are no recommendations in this section.

CASH/ REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the LACOE's records and deposited timely in the Agency's bank account. In addition, determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed LACOE personnel and reviewed their financial records. We also reviewed the Agency's December 2006 bank reconciliation.

Results

LACOE appropriately recorded and deposited OAPP payments timely into the Agency's bank account. LACOE also performed monthly reconciliations.

Recommendations

There are no recommendations in this section.

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed to the program.

Verification

We interviewed Agency personnel and reviewed financial records and documentation for expenditure transactions billed by LACOE from October 2006 to December 2006, totaling \$20,181.

Results

LACOE billed OAPP prior to paying for the contracted services. Specifically, LACOE billed OAPP \$4,962 in June 2006 but did not pay the vendor until February and March 2007. The services were adequately supported and provided during the contract period.

In addition, LACOE billed OAPP \$812 for a substitute teacher without adequate documentation.

Recommendations**LACOE management:**

1. Ensure that only actual incurred and expended program costs are billed to OAPP.
2. Maintain supporting documentation for all expenditures billed to OAPP.
3. Repay OAPP \$812.

INTERNAL CONTROLS**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations.

Verification

We interviewed LACOE personnel, reviewed their policies and procedures and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, LACOE maintains sufficient internal controls over their business operations. However, the Agency needs to ensure that employees' mileage claims include the beginning and ending odometer readings, as required by OAPP guidelines. Subsequent to our review, LACOE provided documentation that included the beginning and ending odometer readings.

Recommendation

4. LACOE management ensure that mileage reimbursements include the beginning and ending odometer readings.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are adequately safeguarded.

Verification

We interviewed Agency staff and reviewed the Agency's fixed assets and equipment records. In addition, we performed a physical inventory and reviewed the usage of a computer purchased with OAPP funds.

Results

The computer purchased was approved by OAPP and properly recorded in the Agency's financial records. In addition, LACOE safeguarded and used the equipment for the OAPP program.

Recommendation

There are no recommendations in this section.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the OAPP program. In addition, determine whether personnel files are maintained as required.

Verification

We traced payroll expenditures totaling \$15,752 to payroll records and time reports. We also reviewed personnel files for four employees assigned to the OAPP program.

Results

LACOE's salaries were properly supported and appropriately charged to the OAPP program. The Agency also maintained personnel files as required by the County contract.

Recommendation

There are no recommendations in this section.

COST ALLOCATION PLAN**Objective**

Determine whether LACOE's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed LACOE's Cost Allocation Plan and reviewed LACOE's space rental expenditures charged to OAPP for January to December 2006 to ensure that the expenditures were properly allocated to the Agency's programs. We also reviewed the Agency's approved indirect cost rate and compared it with the indirect costs billed to OAPP.

Results

LACOE's Cost Allocation Plan complied with the County contract requirements. In addition, the Agency appropriately allocated shared costs.

Recommendation

There are no recommendations in this section.



Los Angeles County Office of Education

Leading Educators • Supporting Students • Serving Communities

Darlene P. Robles, Ph.D.
Superintendent

January 09, 2008

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Mr. J. Tyler McCauley
Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, California 90012-2766

Dear Mr. McCauley:

Audit Response: Los Angeles County Office of Education- A
Department of Public Health HIV/AIDS Preventive Care Services Provider

Our office has received the draft report of the results of your findings during a fiscal review for the Los Angeles County Office of Education (LACOE), a Department of Public Health (DPH) HIV/AIDS preventive care provider. We have carefully reviewed your findings and responded to each one of your recommendations as shown below.

Recommendation:

LACOE management:

1. Ensure that only actual program costs incurred and expended are billed to OAPP.
2. Maintain supporting documentation for all expenditures billed to OAPP.
3. Repay OAPP \$812 in unsupported substitute teacher expenditures.

LACOE's Response:

The recommendations have always been in place in LACOE, but we continue to review, strengthen, and improve our internal controls as recommended. The substitute teacher expenditures were for approved services supported and provided during the contract period, but the sub-contractor failed to invoice LACOE in a timely manner which, understandably, caused the finding. We will process the repayment as soon as the invoice is received.

Recommendation:

4. LACOE management ensures that mileage reimbursements include the beginning and ending odometer readings.

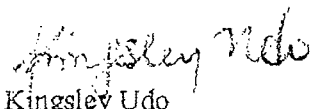
Mr. J. Tyler McCauley
January 9, 2008
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LACOE's Response:

This recommendation has since been incorporated in the mileage reimbursement request form used here in LACOE and, was verified by your office during the exit interview.

If you have any questions, please contact me, at (562) 803-8207.

Sincerely,



Kingsley Udo
Financial Operations Team Leader
Controller's Office / Grants Projects Management

KU/SM:clc

cc: Ms. Patricia Smith, Controller
Ms. Susan Malmir, Business Services Consultant
Mr. Ferris Trimble, Director, Division of Business Operations